



FOR IMMEDIATE RELEASE

PRESS RELEASE

Media Contact:

Cheryl Cox, Policy Advisor, 415-703-2495, cxc@cpuc.ca.gov

ORA Press Room: <http://www.ora.ca.gov/newsroom.aspx>

**ORA Director Joe Como Response to
Conduct by Southern California Edison and Former CPUC President Michael Peevey to
Undermine the SONGS Settlement Process**

SAN FRANCISCO, April 17, 2015 – The Office of Ratepayer Advocates (ORA), the independent consumer advocate within the California Public Utilities Commission (CPUC) wants at least \$648 million returned to customers of Southern California Edison Company (Edison) and San Diego Gas & Electric Company (SDG&E) because of recently revealed evidence of inappropriate conversations between former CPUC President Michael Peevey and Edison Executive Vice President Stephen Pickett. These two individuals worked in secret to outline an acceptable financial settlement of the San Onofre Nuclear Generating Station (SONGS) closure. This back-channel deal between a regulator and the utility may have undermined the efforts of ORA and The Utility Reform Network (TURN) to negotiate the best deal for ratepayers.

ORA is outraged at the revelations regarding CPUC rule violations that occurred prior to the commencement of the SONGS settlement negotiations, and that Edison's actions have undermined the results of ORA's good faith negotiations to represent the best interests of ratepayers. ORA looks forward to actively participating in any investigation to uncover further wrongdoing.

On February 9, 2015, ORA first became aware of the discussion between Peevey and Pickett when Edison filed with the CPUC a 2-year late ex parte notice of the meeting that occurred in March 2013 in Warsaw, Poland. On Friday April 10, 2015, we learned that the conversation outlined a framework for a SONGS settlement and was memorialized on hotel stationery (commonly referred to as the Hotel Bristol Notes). ORA had not seen the Hotel Bristol Notes until they were publically released one week ago by the California Attorney General.

ORA has reviewed the Hotel Bristol Notes and has made a [comparative analysis](#) with the final SONGS settlement agreement. The Hotel Bristol Notes appear to set a framework for settlement that is similar to the elements of the settlement that was ultimately accepted by the CPUC. The Hotel Bristol



Notes appear to demonstrate the degree to which Peevey and Pickett collaborated to orchestrate a settlement of the SONGS outage investigation. Based on ORA's analysis of the Hotel Bristol Notes and the final settlement agreement, customers still saved at least \$780 million more than the "deal" that Peevey and Pickett had described.

However, ORA cannot honestly say that it got the best deal for ratepayers. Edison was likely able to use its knowledge of Peevey's position to steer the settlement in the direction it wanted. While ORA believes it worked to strike a good deal for ratepayers based on legal precedents, we are troubled by the possibility that we might have been able to strike a better deal.

Conversely, to simply undo the SONGS settlement would not be beneficial to ratepayers. The settlement resulted in a cost savings of \$1.4 billion for utility customers -- \$1.12 billion for Edison customers and \$286 million for SDG&E customers. Customers are not currently required to pay for the defective replacement steam generators as of the date they ceased operating on February 1, 2012. Customers are, however, required to pay the costs associated with SONGS during the time the plant was operable and for other costs not related to the defective replacement steam generator. Separately, customers have paid into a decommissioning trust fund for several decades that will cover the costs to decommission SONGS.

The process for fair dealings at the CPUC had been severely compromised. But to simply invalidate the settlement and go back to the hearing room would essentially give Edison the opportunity to litigate for an outcome that may be worse than the settlement. Edison should not be given a second bite at the apple. But if the CPUC were to scrap the SONGS settlement, ORA is prepared to vigorously litigate for a better outcome.

Alternately ORA recommends, at a minimum, Edison be sanctioned and required to return to ratepayers an additional \$648 million, which represents the difference between ORA's original litigation position and what the settlement provided. Furthermore, as more information is developed in the investigation that determines the extent to which Edison worked to mislead the CPUC by artifice or false statements, Edison should be further sanctioned.

See ORA's [Comparative Analysis](#).

See ORA's [SONGS webpage](#) for details and link to Settlement.

For more information on ORA, please visit www.ora.ca.gov.